

MEDICAID MONITORING REPORT AND MONTANA HELP ACT MEDICAID EXPANSION REPORT

A Report Prepared for the
Legislative Finance Committee

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MEDICAID MONITORING

As part of its interim work plan, the Legislative Finance Committee (LFC) chose to monitor the Medicaid program administered by the Department of Public Health and Human Services (DPHHS) via a report at each committee meeting. This report covers Medicaid benefits only; a subset of total Department of Health and Human Services expenditures. The administrative costs of the state Medicaid program are not included in this report. The state Medicaid program involves appropriations and expenditures by four different DPHHS divisions: Health Resources Division (HRD), Senior and Long-Term Care Division (SLTC), Developmental Services Division (DSD), and Addictive and Mental Disorders Division (AMDD). The Health and Economic Livelihood Partnership Act (HELP Act - Medicaid expansion) is discussed in the second half of this report.

FY 2019 MEDICAID FUNDING AND EXPENDITURES

Final FY 2019 Medicaid expenditures for benefits and claims totaled \$1,202.9 million including accruals. Table 1 below shows fiscal-year-end (FYE) 2019 Medicaid expenditures. General fund spending totaled \$279.1 million. For comparison, this is up from \$275.1 million at FYE 2018. Appropriation changes represent those that occurred during June 2019.

General fund Medicaid expenditures are expected to be about \$4.0 million more than the final FY 2018 appropriation. Just over \$14.7 million will be reverted back to the general fund. DPHHS is estimated to finish FY 2019 with a Medicaid state special balance of \$6.0 million as compared to their final modified 2019 appropriation. The department's FYE budget status report was not published prior to the drafting of this report and all numbers are based on SABHRS totals. FYE estimates are not considered final as Medicaid providers have one year from the date of service to submit claims for reimbursement.

DSD expended 91.9% of their modified HB 2 Medicaid budget including 92.0% of general fund, 67.9% of state special revenue and 93.0% of federal funds. DSD currently has a HB 2 budget balance of \$22.1 million including \$5.8 million in general fund. Unexpended general fund includes \$3.0 million for Medicaid waivers, \$1.6 million for children's mental health, and \$1.1 million for autism services.

Health Resources Division expended 90.9% of their modified HB 2 budget. Unexpended appropriations totaled \$61.9. \$4.0 million was general fund which includes \$3.3 million in Medicaid caseload contingency funding.

SLTC expended 93.8% of their modified HB 2 budget including 92.9% of general fund. Unspent general fund includes \$2.8 million for Medicaid nursing home and \$1.36 million for the Big Sky Waiver. Unspent federal appropriations include \$9.2 million for Medicaid nursing home intergovernmental transfer (IGT).

AMDD expended 92.5% of their modified HB 2 Medicaid budget including 96.8% general fund, 91.3% state special revenue and 94.6% federal authority. AMDD has \$4.4 million remaining in their HB 2 budget, most of which are federal funds appropriated for adult mental health services.

Table 1: FY 2019 Medicaid Benefits & Claims Appropriations Compared to DPHHS Expenditures

Division/Fund	FY 2019 Legislative Appropriation ¹	Executive Changes in Legislative Appropriation ²	FYE 2019 Modified Appropriation	FYE 2019 Expenditures and Accruals ³	Estimated Expenditures (Over) Under Appropriation	Estimated Balance as a % of Modified Appropriation
10 Developmental Services Div.						
General Fund	\$70,433,447	\$3,127,224	73,560,671	\$67,690,562	\$5,870,109	8.3%
State Special Revenue	8,677,204	0	8,677,204	5,887,784	2,789,420	32.1%
Federal Funds	<u>194,367,498</u>	<u>(2,244,000)</u>	<u>192,123,498</u>	<u>178,639,322</u>	<u>13,484,176</u>	6.9%
Subtotal	273,478,149	883,224	274,361,373	252,217,668	22,143,705	8.1%
11 Health Resources Division						
General Fund	150,420,191 ⁴	(3,660,000)	146,760,191	142,803,145	3,957,046	2.7%
State Special Revenue	66,831,445	(2,011,538)	64,819,907	64,819,717	190	0.0%
Federal Funds	<u>494,359,302</u>	<u>(27,246,688)</u>	<u>467,112,614</u>	<u>409,164,311</u>	<u>57,948,303</u>	11.7%
Subtotal	561,190,747	(32,918,226)	678,692,712	616,787,173	61,905,539	11.0%
22 Senior and Long Term Care						
General Fund	65,032,228	0	65,032,228	60,403,484	4,628,744	7.1%
State Special Revenue	36,091,646	0	36,091,646	32,963,082	3,128,564	8.7%
Federal Funds	<u>196,955,249</u>	<u>0</u>	<u>196,955,249</u>	<u>186,276,396</u>	<u>10,678,853</u>	5.4%
Subtotal	298,079,123	0	298,079,123	279,642,962	18,436,161	6.2%
33 Addictive and Mental Disorders						
General Fund	11,092,758	(2,634,781)	8,457,977	8,190,597	267,380	2.4%
State Special Revenue	8,793,317	203,487	8,996,804	8,918,369	78,435	0.9%
Federal Funds	<u>41,014,471</u>	<u>237,555</u>	<u>41,252,026</u>	<u>37,166,470</u>	<u>4,085,556</u>	10.0%
Subtotal	\$60,900,546	(\$2,193,739)	\$58,706,807	\$54,275,436	\$4,431,371	7.3%
Grand Total All Medicaid Services						
General Fund	296,978,624	(3,167,557)	293,811,067	279,087,788	14,723,279	5.0%
State Special Revenue	120,393,612	(1,808,051)	118,585,561	112,588,952	5,996,609	5.0%
Federal Funds	<u>926,696,520</u>	<u>(29,253,133)</u>	<u>897,443,387</u>	<u>811,246,498</u>	<u>86,196,889</u>	9.3%
Grand Total All Funds	\$1,344,068,756	(\$34,228,741)	\$1,309,840,015	\$1,202,923,239	\$106,916,776	8.2%
¹ Estimated expenditures are based on Datamine as as FYE expenditures had not been reported by DPHHS as of publication.						
² Changes in appropriation authority can include: reorganizations, transfers of authority among Medicaid programs, transfers of authority to other DPHHS programs, reallocations of authority between program functions within a division, additions due to budget amendments, and special session changes to HB 2.						
³ Expenditures and accruals are based on SABHRS Datamine. Expenditure data are not yet final.						
⁴ The general fund appropriation at Health Resources Division (HRD) was reduced by \$13.5 million in HB 3, passed during the 2019 legislative						

BUDGET CHANGES

The Medicaid benefits and claims budget decreased by \$34.2 million during June 2019, including \$3.2 million in general fund. Most of the general fund modifications involved program transfers of Medicaid appropriations to Children and Families Division (CFSD) to cover unexpected caseloads. The reduction in Medicaid general fund was offset by \$5.5 million at DSD which was transferred from MDC (non-Medicaid) to Medicaid as authorized by HB 639 (2017 Session). HB 639 authorized the department to “transfer from Montana Developmental Center for other necessary services for individuals served or who would have otherwise been served at the Montana Developmental Center”.

State Special funds decreased by a total of \$1.8 million during June. The state special appropriation at HRD was reduced by \$2.0 million as a result of FYE program transfers.

Most of the change in federal appropriation occurred at HRD when \$27.2 million was moved from Medicaid hospital services to cover operations expenses at technology services division.

ACCRUALS

Medicaid providers have one year from the date of providing a service to file a claim. DPHHS always includes an accrual to cover program year expenses that are not billed until the following year. The majority of claims are billed and paid during the fiscal year in which services occur. However, some services provided in FY 2019 will be billed during FY 2020. The table below shows FY 2019 accruals, the amounts represent what DPHHS expects to use to cover claims from FY 2019 in FY 2020.

Medicaid FY2019 Accruals by Division and Fund Type				
DPHHS Division	General Fund	State Special	Federal Special	Total
Developmental Services Division	\$6,532,045		\$12,359,915	\$18,891,960
Health Resources Division	24,942,780	1,228,382	58,587,213	84,758,375
Senor & Long Term care	8,763,393	4,364,222	25,510,371	38,637,985
Addictive and Mental Disorders Division	1,185,588	592,884	3,771,976	5,550,448
Total Medicaid Accruals	\$41,423,806	\$6,185,488	\$100,229,476	\$147,838,769
Source: SABHRS				

The \$41.4 million accrued in general funds represent just 14.8% of expected FY 2019 general fund expenditures for benefits and claims. The majority of claims are billed during the fiscal year in which services are provided. Further analysis shows that most of the accruals are used to cover services provided near the end of the fiscal year, too late to be billed during the year in which services were provided.

MONTANA HELP ACT – MEDICAID EXPANSION

The Health and Economic Livelihood Partnership (HELP) Act of the 2015 Montana Legislature expanded Medicaid in Montana, as allowed by the Patient Protection and Affordable Care Act (ACA). Specifically, this provides Medicaid coverage for adults ages 19-64, with incomes less than 138% of the federal poverty rate for Montana. The implementation of HELP has significantly impacted the budget of the State of Montana. Currently, benefits and claims for the expansion population are matched at a rate of 93% by federal funds (less an adjustment made for continuous eligibility), with a phased-in reduction to an eventual final federal matching rate of 90% (90% federal, 10% state) in 2020 and beyond. The purpose of this report is to provide an up-to-date synopsis of the Medicaid expansion and the financial implications.

Federal Match Rate		
Calendar Year	Federal Share	State Share
2016	100.0%	0.0%
2017	95.0%	5.0%
2018	94.0%	6.0%
2019	93.0%	7.0%
2020+	90.0%	10.0%

The 2019 Legislature passed HB 658, extending Medicaid expansion in Montana. Prior to HB 658 Medicaid expansion had been statutorily appropriated, including FY 2019. HB 658 includes appropriation authority for the 2021 biennium. As directed in HB 658, expansion appropriations will be included in HB 2 beginning in the 2023 biennium. HB 658 will become effective July 1, 2019 and has a termination date of June 30, 2025.

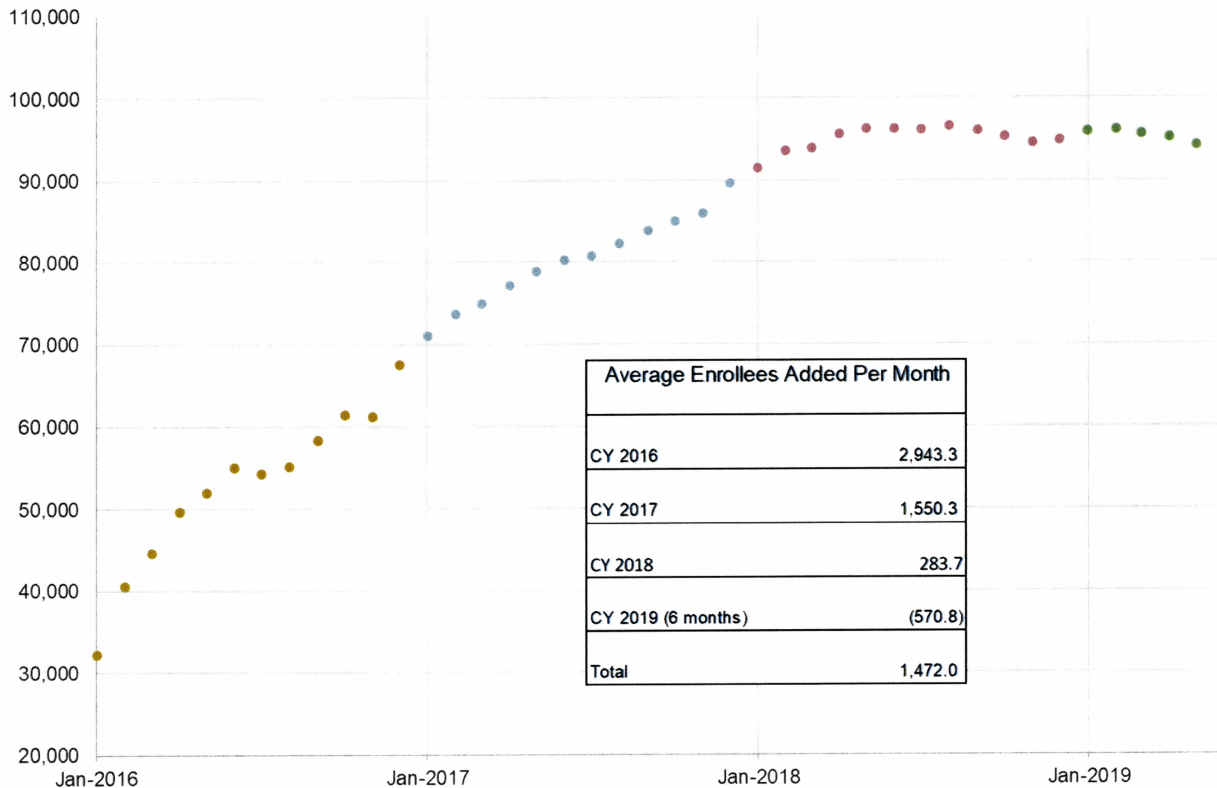
The bill includes several changes to expansion including: establishing community engagement requirements, revising eligibility verification procedures, establishing an employer grant program, and enacting fees on health service corporations and on hospital outpatient revenue, in addition to others.

EXPANSION IMPLEMENTATION STATUS

Current Enrollment

As of June 2019, DPHHS was reporting a total of 92,548 individuals covered by Medicaid expansion. The graph below illustrates HELP Act enrollment since the program was instituted. The enrollment growth rate for the HELP Act has slowed each calendar year since the HELP act was implemented, and during CY 2019, has been decreasing.

The number of HELP Act Enrollees increased during CY 2016 and CY 2017 before leveling off in CY 2018 and decreasing during the first half of CY 2019.



MONTANA HELP ACT OVERSIGHT COMMITTEE

The HELP oversight committee was repealed by HB 658. Information required to be reported by DPHHS and the Department of Labor and Industry (DLI) will now be submitted to the Legislative Finance Committee and the Children, Families, Health, and Human Services interim committee. This reporting includes activities to establish a workforce development program and an employer grant program established by the bill.

FINANCIAL UPDATE

Expenditures for Medicaid benefits experience a lag due to the fact that providers have up to a year to submit a billable claim. The expenditures below reflect all paid claims with a date of service during FY 2019 and any accrual amounts included by DPHHS. In the traditional Medicaid tables presented earlier in this report, only benefits and claims are covered. The HELP Act expenditures presented below show benefits and claims, and administration costs statutorily appropriated outside of HB 2 during FY 2019.

Expenditures

Fiscal Year 2019 Montana HELP Act Expenditures (Including Accruals)			
	General Fund	Federal Funds	Total
Benefits & Claims			
Health Resources Division	\$30,139,584	\$578,545,020	\$608,684,604
Senior & Long Term Care	521,801	8,593,451	9,115,252
Addictive & Mental Disorders	<u>2,870,592</u>	<u>42,451,033</u>	<u>45,321,624</u>
	33,531,977	629,589,504	663,121,480
Administration			
Personal Services	325,743	333,518	659,260
Operating Expenses	<u>7,718,929</u>	<u>6,917,832</u>	<u>14,636,761</u>
	8,044,671	7,251,350	15,296,021
Total	\$41,576,648	\$636,840,853	\$678,417,501

OTHER INTERACTIONS

Department of Labor and Industry (DLI) HELP-Link – Financial Update

The Department of Labor and Industry was appropriated state special revenue of \$888,531 for FY 2019 in HB 2 to provide workforce activities included in the HELP Act. Through the end of FY 2019, DLI had expended more than 99.0% of the total appropriation. This includes \$328,431 in personal services, \$59,170 in operating expenses, and \$492,357 in grants.